

Message Text

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ACTION EUR-12

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FM USMISSION NATO

TO SECSTATE WASHDC 1601

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C O N F I D E N T I A L USNATO 2484

E.O. 11652: GDS

TAGS: EFIN MCAP GW MARR NATO

SUBJ: NAC MEETING 5 MAY 75 - ITEM V - BURDENSARING; ECONOMIC

DIRECTORATE REPORT TO COUNCIL

REFS: A. C-M(75)18; B. STATE 103467

SUMMARY. NAC NOTED WITH SATISFACTION FINAL REPORT BY ECONOMIC DIRECTORATE ON FINANCIAL PROBLEMS ARISING FROM STATIONING OF US FORCES IN EUROPE. PERMREPS AGREED THAT ANY NATO PRESS RELEASE SHOULD OCCUR SUBSEQUENT TO PRESIDENT'S MID-MAY REPORT TO CONGRESS. THEY ALSO DEFERRED DECISION ON CONTINUATION OF PROCUREMENT ACCOUNTING PENDING EVALUATION OF CONGRESSIONAL REACTIONS TO COMPLETION OF JACKSON-NUNN EXERCISE.
END SUMMARY.

1. PANSA (ACTING SYG) INTRODUCED FINAL REPORT TO THE NAC CONCERNING PAYMENTS FROM EUROPE TO THE US ON MILITARY ACCOUNT DURING FY 1974. REPORT INDICATES THAT REQUIREMENTS OF JACKSON-NUNN AMENEMENT HAVE BEEN MET. HE INDICATED THAT THE REPORT WOULD BE FURNISHED TO US AUTHORITIES FOR INCLUSION IN THE PRESIDENT'S MID-MAY REPORT TO CONGRESS. HE ALSO EXPRESSED HIS GRATITUDE TO NATO MEMBER COUNTRIES FOR THEIR EFFORTS IN COLLECTING AND VERIFYING THE DATA.

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2. BRUCE (US) MADE FOLLOWING STATEMENT. QUOTE. MY GOVERNMENT GREATLY APPRECIATES THE SPLENDID COOPERATION OF OUR ALLIES IN MAKING AVAILABLE THE DATA IN THIS REPORT ON THEIR MILITARY PROCUREMENT IN THE UNITED STATES DURING FISCAL 1974. WE ARE

ALSO DEEPLY GRATEFUL TO NATO'S ECONOMIC DIRECTORATE FOR THE PAINSTAKING WORK IT HAS UNDERTAKEN OVER THE PAST QUARTER MONTHS TO COLLECT, ORGANIZE, AND COLLATE THE FIGURES IN A MANNER USABLE BY U.S. AUTHORITIES. ALL OF THE DATA MADE AVAILABLE BY OUR ALLIES AND CONTAINED IN THIS REPORT WILL BE USED IN THE PRESIDENT'S FINAL REPORT TO CONGRESS ON MAY 16 AS A DEMONSTRATION, IN COMPLIANCE WITH THE REQUIREMENTS OF THE JACKSON-NUNN AMENDMENT, THAT OUR BALANCE OF PAYMENTS DEFICIT ON MILITARY ACCOUNT WITH NATO EUROPE WAS COMPLETELY OFFSET DURING FISCAL 1974.

WHILE THE MAY 16 REPORT WILL BE THE FINAL ONE IN COMPLIANCE WITH THE JACKSON-NUNN AMENDMENT, WE WOULD LIKE THIS VALUABLE PROCUREMENT ACCOUNTING SYSTEM TO CONTINUE FOR AT LEAST ONE MORE FISCAL YEAR. WE BELIEVE THAT TO DO SO WOULD CLEARLY BE IN OUR MUTUAL INTEREST FOR THE FOLLOWING REASONS:

1. HAVING DATA AVAILABLE ON EUROPEAN MILITARY PROCUREMENT IN THE U.S. WILL BE USEFUL IN THE FUTURE, AS IT HAS BEEN IN THE PAST, TO COUNTER CRITICISM BY SEGMENTS OF THE U.S. CONGRESS AND THE AMERICAN PUBLIC REGARDING THE COST OF STATIONING U.S. TROOPS IN EUROPE. WITH OUR MILITARY BUDGET ALWAYS UNDER PRESSURE AND WITH THE PERSISTENCE OF U.S. BUDGET AND BALANCE OF PAYMENTS DEFICITS, THE POSSIBILITY OF A REEMERGENCE OF SENTIMENT FOR LINKING TROOP LEVELS TO THE MILITARY BALANCE OF PAYMENTS CANNOT BE ENTIRELY DISCOUNTED.

2. THE CONTINUATION OF MILITARY PURCHASE REPORTING FOR AT LEAST ANOTHER FISCAL YEAR WOULD CONFIRM THAT THERE IS A PATTERN OF TRANS-ATLANTIC MILITARY PROCUREMENT, AND THAT FISCAL 1974 WAS NOT EXCEPTIONAL.

3. THE MILITARY PROCUREMENT ACCOUNTING PROCEDURE SET UP BY THE ECONOMIC DIRECTORATE AND OUR ALLIES HAS PROVIDED VALUABLE DATA NOT AVAILABLE FROM INDIVIDUAL, NATIONAL BALANCE OF PAYMENTS ACCOUNTS. SINCE SUCH INFORMATION MAY ALSO PROVE USEFUL TO THE ALLIANCE FOR OTHER PURPOSES, SUCH AS ARMAMENT PRODUCTION CONFIDENTIAL

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COOPERATION, THIS SYSTEM ESTABLISHED WITHIN NATO WITH SOME DIFFICULTY SHOULD NOT BE SUMMARILY DISMANTLED. END OF QUOTE.

HE ALSO INDICATED THAT THE US WOULD PREFER THAT NAY NATO PRESS RELEASE BE DEFERRED UNTIL AFTER THE PRESIDENT'S FINAL REPORT TO CONGRESS.

3. PANSANOTED THAT HE AGREED WITH THE REASONS CITED BY BRUCE FOR CONTINUATION OF PROCUREMENT ACCOUNTING AND ASKED PERMREPS FOR THEIR OPINION. DE STAERCKE (BELGIUM) EXPRESSED SATISFACTION AT THE RESULTS OF THE EXERCISE AND HOPED IT WOULD HAVE DESIRED EFFECTS

ON CONGRESS AND US PUBLIC OPINION. HE BELIEVED, HOWEVER, THAT

THE NAC SHOULDA AWAIT CONGRESSIONAL REACTION TO THE FINAL REPORT FROM THE PRESIDENT BEFORE TAKING A DECISION ON CONTINUATION. HE SUGGESTED THEREFORE THAT THIS ASPECT BE DISCUSSED AFTER 16 MAY 75. PECK (UK) CITED UK PRAGMATISM IN AGREEING WITH DE STAERCKE. BOSS (FRG) DOUBTED DESIRABILITY OF CONTINUATION BUT AGREED TO DISCUSSION AT LATER DATE. HARTOGH (NETHERLANDS) NOTED THAT NETHERLANDS HAD ALWAYS DOUBTED WISDOM OF SEPARATING MILITARY ACCOUNT FROM GENERAL BALANCE OF PAYMENTS DIFFICULTIES. HE AGREED HOWEVER THAT SUBJECT SHOULD BE DISCUSSED LATER.

4. PANSA NOTED CONSENSUS THAT DISCUSSION OF CONTINUATION OF THE EXERCISE SHOULD AWAIT PRESIDENT'S ACTION WITH CONGRESS. HE THEN ASKED IF NAC AGREED TO A PRESS RELEASE AFTER PRESIDENT'S MID-MAY REPORT TO CONGRESS. HE SUGGESTED THAT A TEXT FOR SUCH A RELEASE COULD BE AGREED NOW FOR LATER RELEASE. HE READ THE PROPOSED TEXT WHICH WAS A RATHER LENGTHY BUT FACTUAL REPORT ON ORIGIN AND PURPOSE OF JACKSON, UNN AMENDMENT AND AFFED THAT NATO'S ACTIONS APPEARED TO HAVE MORE THAN MET THE REQUIREMENTS OF THE AMENDMENT, PECK BELIEVED THE STATEMENT TO BE TOO LONG AND REQUESTED THAT IT BE CIRCULATED FOR LATER APPROVAL. NAC AGREED WITH SUGGESTION.

MISSION NOTE: TEXT OF PROPOSED RELEASE WILL BE FURNISHED WASHINGTON WHEN RECEIVED.

5. MISSION COMMENT: WE WILL ASSURE THAT CONTINUATION OF PROCUREMENT ACCOUNTING IS RAISED AGAIN ON THE NAC AGENDA SOON
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AFTER MAY 16. MEANWHILE, WE BELIEVE THAT WASHINGTON MAY WISH TO INSTRUCT EMBASSIES LONDON, BONN AND THE HAGUE TO UNDERLINE TO HOST GOVERNMENT OFFICIALS IMPORTANCE US ATTACHES TO CONTINUATION OF THIS EXERCISE. END COMMENTBRUCE

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